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FM AMEMBASSY COLOMBO  
TO RUEHC/SECSTATE WASHDC 1280  
INFO RUEHKA/AMEMBASSY DHAKA 2401  
RUEHIL/AMEMBASSY ISLAMABAD 9423  
RUEHKT/AMEMBASSY KATHMANDU 7678  
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RUEHNE/AMEMBASSY NEW DELHI 3839  
RUEHPL/AMEMBASSY PORT LOUIS 0527  
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RUEHKP/AMCONSUL KARACHI 2699  
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RUEHPW/AMCONSUL PESHAWAR 0405  
RUCPDO/DEPT OF COMMERCE WASHDC

UNCLAS SECTION 01 OF 02 COLOMBO 000102

SIPDIS

DEPARTMENT FOR SCA/INSB

E.O. 12958: N/A

TAGS: [MV](#) [ECON](#) [PGOV](#) [EINV](#) [ECPS](#)

SUBJECT: MALDIVIAN MOBILE TELECOMMUNICATIONS MARKET: IN  
NEED OF COMPETITION AND LOWER PRICES

REF: NONE.

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¶1. (SBU) SUMMARY. Telecommunications in the small island country of the Maldives is dominated by one company, which is partially state-owned, while the other competitor is a minor player. The dominant telecom company is abetted by a lack of a telecommunications law and a compliant competitor. As a result of the lack of competition, the Maldives has very high telecommunications rates. A third competitor could drive down rates, but no such champion has appeared on the horizon.  
End Summary.

#### CURRENT TELECOMMUNICATIONS MARKET

¶2. (U) Dhiraagu Telecom Maldives is the leading player in the Maldivian telecommunications sector. The company controls 100 percent of the fixed-line network and between 70-85 percent of the country's mobile network. The company has been in existence for more than 20 years. Cable and Wireless PLC owns 52 percent of Dhiraagu while the Government of the Maldives (GOM) owns the remaining 48 percent. According to Dhiraagu executives, the GOM plans to sell 30 percent (of its 48 percent stake) in an Initial Public Offering (IPO) in summer 2010. Dhiraagu's lone competitor in the mobile market is Wataniya Telecom Maldives, a Kuwaiti-owned entity. Various sources place Wataniya's market share between 15-30 percent of the mobile Market. By all definitions, however, Wataniya is a small fish in a small pond and the company does not represent a significant threat to Dhiraagu in the near-medium term.

¶3. (U) Between Dhiraagu and Wataniya, there are currently more than 400,000 mobile subscribers nationwide. This number is actually more than the total population of the country, as a number of subscribers maintain multiple hand-sets and/or SIMs. Additionally, the Maldives welcome more than 700,000 roaming users per year, mostly tourists who visit resort islands or come to Male on business. Due to demand, Dhiraagu recently began offering Blackberry services through a user-agreement contract with Sri Lankan Dialog Mobile. Dhiraagu hopes this service will generate additional income via robust connection, roaming, and termination charges.

14. (SBU) Despite Wataniya's entry into the Maldivian Telecommunications market in 2005, calling charges have not dropped. Dhiraagu executives admit that calling rates are high compared to neighboring countries and roaming and termination charges are some of the highest in Asia. Dhiraagu contends that high rates are necessary in order to cover the costs of bringing reliable mobile and fixed-line connections to the widely dispersed atolls of the country. This argument does not seem logical, however, given that fixed-line infrastructure has not been upgraded in many years due to dwindling public demand and the cost of expanding and maintaining mobile networks can be more than covered with reasonable connection charges. Dhiraagu also does not feel compelled to reduce calling and roaming rates because Wataniya has not instituted a low-fee billing scheme to attract customers. In the near-term, customers will continue to live with costly calling services and expensive roaming charges.

15. (SBU) While it would seem, given the small size and population of the Maldives, that the market is at capacity, the country could use another entry into the mobile market. The GOM has left open the possibility of adding another mobile carrier to the mix. Dhiraagu executives do not believe there is room for a third operator although Wataniya believes that the market could be an open playing field. Profitability is an issue. Between its fixed and mobile line businesses, Dhiraagu continues to turn a profit. Wataniya has yet to turn a profit although it is approaching the break-even point in FY2010. The profitability factor may force other companies to look hard at making an entry into the Maldivian market. On the other hand, the Maldives could be an enticing location for major international player who might attempt to expand their brand regionally. In that

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case, it would matter less whether their operation in the Maldives was profitable and more on branding and obtaining regional name recognition. In the near-term, however, there are few foreign operators interested in entering the Maldivian telecom market.

NO TELECOMMUNICATIONS LAW

16. (SBU) Despite the existence of a robust mobile telecom market in the Maldives, the country does not yet have a telecommunications law. A draft law is with the Maldivian Majlis (Parliament) for debate, although there is no timeline for its passage. In the absence of specific law, the GOM uses an informal regulator to oversee the sector. According to Dhiraagu, the regulator is transparent and involved with the affairs of the sector. This theoretically ensures that neither Dhiraagu or Wataniya enters into predatory practices or collude with one another. In practice, the mobile market remains not overly customer friendly, which puts into question how much the regulator is involved with the public. The regulator has instituted a regulation that ensures that both Dhiraagu and Wataniya share their towers on various resort islands or population centers. This reduces the potential blight of massive mobile towers on the skyline.

17. (SBU) COMMENT: At least for customers, the Maldives is an expensive proposition. The country could use a third mobile telecom provider, which would ideally drive prices towards reasonable levels for consumers and ensure robust competition in the market. Unfortunately, there do not seem to be any changes on the horizon. Business as usual will be the rule of the day. While Wataniya is a major international telecom player, it seems content to maintain its 15-30 percent of the market and not make waves for Dhiraagu. This approach places no pressure on Dhiraagu to reduce rates or become more customer-friendly. Passage of a telecommunications law may change the status quo, though this remains to be seen. Over the medium term, customers will have to put up with whatever Dhiraagu and, to a lesser extent Wataniya, have to offer. END COMMENT.

